

Dear Esteemed Members,

It is my pleasure to welcome you all to the 100th Annual General Meeting of the Company. It is indeed a historical moment for all of us. Last year the Company completed 150 years of its foundation and now we are at the 100th AGM. This is a unique happening and an awe-inspiring milestone in our corporate journey. Very few organisations are fortunate to achieve such a rare distinction in its corporate life cycle. The sheer hard work, determination, foresightedness, able leadership and perseverance of all the stakeholders have made it possible for the Company to complete its journey of 150 years with a glorious track record of being profitable always. Though we are steering ahead on a growth path, we have to stay vigilant and combat the various challenges too.

Before I make my customary observations, I express my gratitude to all of you for your continued trust, support and patronage that you have placed in this Company for so many years. It is my privilege to present to you the Annual Report of the Company for the financial year 2016-17 which is the 100th Annual Report of the Company. May I take this opportunity to brief the stakeholders about the Company's performance during 2016-17 and the economic scenario under which it had operated.

On the domestic front, this year was marked by several historic economic policy developments. A constitutional amendment paved the way for the long-awaited transformational Goods and Services Tax (GST). In addition, the Government, overhauled the bankruptcy laws, codified the institutional arrangements on monetary policy with the Reserve Bank of India (RBI), and solidified the legal basis for Aadhaar to realise the long-term gains from the JAM trifecta (Jan Dhan-Aadhaar-Mobile).

Real GDP growth in the first half of the fiscal year was 7.2 percent. At the sectoral level, growth of agriculture and allied sectors improved significantly in 2016-17, followed by normal monsoon in the current year. As in the previous years, the service sector continued to be the dominant contributor to the overall growth of the economy.

Many new initiatives have been taken up by the Government to facilitate investment and ease of doing business in the country. Noteworthy among them are initiatives such as Make-in-India, Invest India, Start-up India and e-biz Mission Mode Project under the National e-Governance Plan. Measures to facilitate ease of doing business include online application for Industrial License and Industrial Entrepreneur Memorandum through the 24x7 eBiz website for entrepreneurs; simplification of application forms for Industrial Licence and Industrial Entrepreneur Memorandum; limiting documents required for export and import to three by Directorate General of Foreign Trade; and setting up of Investor Facilitation Cell under Invest India to guide, assist and handhold investors during the entire life-cycle of the business. All these initiatives are expected to give a big boost to all the sectors of the Indian economy in the coming years.

Against this economic backdrop, I am happy to share an overview of our performance of the various Strategic Business Units (SBUs) of the Company.

INDUSTRIAL PACKAGING [SBU: IP]

SBU:IP is the largest manufacturer and the market leader in the business of 200 Ltr capacity Steel Drums in India. The SBU has the capability to meet the Steel Drum requirements of neighbouring countries as well, through its six manufacturing facilities close to major consumption centres.

Steel Drums are utilized for safe packaging and transportation of liquid and semi-liquid pulp, greases, powders, chemicals etc.

The major opportunities for SBU:IP lie through increase in product range, leveraging the “Most preferred supplier” status from most of the large Steel Drum buyers in India and neighbouring countries, moving up in value chain with customers etc.

During the year, SBU:IP maintained its profitability in spite of increase in steel prices. Higher sales volume was accomplished despite shrinkage of available market in the wake of directives to Government Organisations and PSUs to procure MS Drums only from Small & Medium Enterprises.

The year 2017-18 appears to be promising similar to what it was in 2016-17. Though, there would be no business from any of the Public Sector Oil Companies or Government in 2017-18, SBU:IP is geared-up to meet the challenges by aggressively positioning itself in the market through acquisition of new customers and improvement of market share from the existing customers. The Navi Mumbai plant provides competitive advantage to the SBU as it is located at close proximity to one of the largest consumption centers for Steel Drums in the Western Region.

2. GREASES & LUBRICANTS [SBU: G&L]

India continues to be the third largest lubricant market in the world, providing a large potential market for achieving volume growth by both PSU Oil Companies as well as private players including MNCs. However, the market is fragmented and the lubricant companies are focusing on niche segments for their growth, based on their strengths and experience.

Current lubricant industry is driven by “technology” as well as “customer value proposition”. The business of SBU: G&L may be divided into Processing/Contract Manufacturing, Direct Sales and Channel Sales (Retail & Industrial).

In the Indian market, channel sales (Automotive & Industrial) has the highest potential amongst the sales verticals. The SBU has plan for increasing brand visibility and expanding retail network. Focus would be on import substitution, thereby substantiating the “MAKE IN INDIA” campaign.

The major challenges in the business are (i) Cut-throat competition (ii) Limited product endorsement and (iii) Difficulty to capture the retail automotive sales.

During the year under review, despite severe price competition from PSU Oil Companies, major MNCs and other private players, the SBU has been able to better its overall performance level in terms of production and sales as compared to last year. The bottomline for the year has, however, been affected due to abnormal

increase in price of Lithium Hydroxide, increase of base oil prices in the second half of the year and increase of other input costs which could not be passed on to the customers fully because of the competitive market situation and contractual delivery terms.

All the three manufacturing units of the SBU are certified for quality management systems and periodic audits are being conducted for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. The Silvassa plant, in addition, has the ISO/TS 16949:2009, a world class quality assurance system specifically for the automotive industry.

LEATHER CHEMICALS [SBU:LC]

The Leather Chemicals industry is highly competitive comprising reputed MNCs and domestic companies as well as small local and transnational players. Bigger players offer a range of products across all three segments such as beamhouse, wet-end and finishing, while smaller players may offer products limited to one segment or even a sub-segment.

The global trade in leather and leather products has not undergone any significant change in the past five years. There has been a shift in leather production from developed countries to developing and under developed countries.

Being the market leaders in the synthetic fat liquor segment, SBU:LC has a well-developed distribution network, loyal customer base and adequate number of technical service centers, which can be leveraged by the SBU towards enhancing its business in other segments.

The SBU: LC sees opportunity in increasing sales through newly introduced products, matching the quality offered by products of reputed MNCs and yet competitively priced.

Opportunity also lies in the syntan market space where SBU:LC can penetrate further. New Beam House chemicals developed by the Company have been well appreciated by our customers. The SBU: LC has plans to foray into the Finishing Chemical segment by leveraging the existing distribution network, technical service centers and cordial relationship with customers to its advantage.

The manufacturing unit, Product Development and the Marketing functions are certified for Integrated Management System comprising of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

SBU: LOGISTICS

Under this SBU, there are two verticals viz., Logistics Infrastructure and Logistics Services.

A. Logistics Infrastructure (LI)

The Logistics Infrastructure business comprises of three main segments viz., Container Freight Stations (CFS) typically set up in the vicinity of Ports, Warehousing & Distribution (W&D) and Temperature Controlled Warehouses (TCW /Cold Chains).

Presently, the Company has three state-of-the-art CFSs located at Nhava Sheva (Navi Mumbai), Chennai and Kolkata. Warehousing & Distribution facilities are presently available at Kolkata and Coimbatore. The first state of the art TCW was commissioned in Hyderabad in March 2016. The second TCW has been established at Rai and is ready for operation. Some statutory approvals are awaited from the State Government. The third one at Patalganga near Taloja, Navi Mumbai is expected to be ready for commercial operation by end of this fiscal.

Balmer Lawrie is setting up its Multi Modal Logistics Hub (MMLH) project at Vizag in partnership with M/s Visakhapatnam Port Trust (VPT). In this MMLH, facilities will be created for handling Exim and Domestic Cargo. The commissioning of the same is expected in the last quarter of financial year 2017-18.

There are opportunities for growth as India's containerisation level is still much lower than most of the developed countries, which offer a glimmer of hope to this industry. The advantage of Balmer Lawrie having its CFS in three major locations, the strength of relationship with major shipping companies through its other activity Logistics Services, its efficiency of operations and ability to offer integrated and customized services are continuously providing opportunities for growth for the business.

For the last few years, CFS/ICD industry was facing tough times, which reflected in declining container volumes and reduced Profit margins for most of the operators. The dwell time of the containers at the CFS have been falling drastically year on year due to the implementation of technology driven policies to get the clearance of the containers with minimum documentation work. Opportunities for earnings are coming down year after year and per TEU profitability is continuously under pressure.

India's cold chain industry is still evolving, not well organized and operating below capacity. The industry has now become an integral part of the supply chain industry comprising refrigerated storage and refrigerated transportation. Cold storage capacity is expected to grow at nearly 13% per annum on a sustained basis over the next 4 years, with the organized market growing at a faster pace of 20%.

Changing consumer trends for convenience and processed foods are also giving opportunities to the cold chain industry. Government of India is also setting up 30 Food Parks to promote the cold chain industry. The Indian Pharma industry is also giving a boost to the cold chain industry.

Logistics Services (LS)

India spends around 14.4% of its GDP on logistics and transportation as compared to less than 8% spent by other developing countries. The Indian Logistics market is expected to grow at a CAGR of 11% upto 2020 driven by growth in various sectors.

Thanks to the boom in the e-commerce sector and expansionary policies of the FMCG firms, 'Smart Growth' in the Logistics sector is also expected. The industry as a whole has moved from being just a service provider to the position where it provides end to end supply chain solutions to its customers.

Overall the industry is poised to grow although there may be challenges on account of policy changes in India, changes taking place in the industry at the international level and entry of multinationals in the industry. With 'Make in India' push by Central Government, it is expected that there will be heightened activity of imports of raw materials, capital equipment and intermediates. Exports are also expected to sharply increase once the 'Make in India' campaign reaches a feverish pitch when India would be producing much more than its requirement.

Project Logistics is also expected to get a big boost as more and more multinational companies are setting up manufacturing hubs in India.

Air freight services continues to be a dominant activity of the SBU and provides more than 62% (earlier 50%) of the SBU's overall topline. The dismantling of Transchart has opened up new opportunities in Ocean freight activity, which the SBU is keen to capitalize on. As Balmer Lawrie is in CFS operations since 1994, its relationship with Shipping Lines can be leveraged to get more competitive rates for ocean freight which in turn can help it in grabbing more ocean freight business.

The Logistics Services vertical during 2016-17 achieved the highest ever topline and PBT registering a growth of 13% in Turnover over the previous year, which is primarily on account of surge (15% growth YOY) in air freight and ocean freight activities. Profitability improved due to better sales mix and handling of a higher volume of Project logistics.

Balmer Lawrie is also taking adequate steps to mitigate the challenges by increasing the global network of associates and offering clients single window logistics solutions. The SBU has revamped its existing technology and has plans to further upgrade the same in the near future to meet future business challenges.

TRAVEL & VACATIONS [SBU:T&V]

Synergy from the two verticals viz. Ticketing and Vacations has resulted in more customers opting to go for complete end to end travel services including hotels and holiday packages, rather than just booking air tickets with the SBU.

Today SBU: T&V is one of the largest tours & travel operators in the country, which provides end to end domestic and international travel, ticketing, tourism and MICE related services to its clients. It is one of the oldest IATA accredited travel agencies of India operating from more than 88 locations across 19 cities in the country. Travel & Tourism is one of the world's largest industries and the Indian Outbound Market is emerging as one of the fastest growing sector.

The Government of India, as an austerity measure, down scaled the entitlement on domestic sector of Government Officials. Airlines continue to offer lower or no commissions and minimal performance linked bonus (PLB). Despite these adverse factors, the Travel business has registered an improved performance during the year 2016-17.

Despite the stiff challenges in the Travel industry, the SBU has continued to provide sizeable turnover from the Travel and Vacations business.

In the last one year, the Company has strengthened its position in the leisure travel segment of the retail market and the Vacations vertical has added many retail clients. It is expected that this vertical will play a significant role in the SBU's growth as an end to end travel solutions provider in the coming years.

While business travel, holiday trips dominate outbound volumes, people are also opting for niche products like sports tourism, luxury travels, honeymoon packages and cruises. The SBU is set to grow in these areas as well. Low cost carriers have started operating on both domestic and international sectors and are adding new aircrafts. This will certainly help in growth in volumes of the industry.

However, collection of dues in time, non-availability of adequate number of trained quality manpower, high attrition levels and poor IT penetration continue to be matter of concern. Balmer Lawrie is fully conscious of the risks and concerns of this industry and has a clear strategy to move forward and remain as one of the top Corporate Travel Management Companies in the country. The Company is also leaving no stones unturned for effective utilisation of Information Technology to provide best in class services.

REFINERY & OIL FIELD SERVICES [SBU:ROFS]

The SBU: ROFS is engaged in the activity of Mechanized Sludge/sediment Cleaning and Hydrocarbon Recovery Services from Crude Oil Storage tanks and Lagoons. This continues to be a niche industry with very limited number of players and the SBU: ROFS is a pioneer and market leader in this business.

The SBU: ROFS continues to enjoy sizable market share in the processing of oily sludge. Additional growth opportunity exists with the implementation of strict pollution control norms in the Oil and other related industries.

In 2016-17, the SBU: ROFS has achieved growth above the last year's turnover and also substantial increase in segmental profit. The SBU: ROFS has also achieved substantial job booking for the next financial year. This is owing to high market demand for services in the current year along with improvements in operational efficiency and effective cost control.

Overall Financial performance

During the financial year 2016-17 the gross turnover increased by 6.91%. The Company recorded gross turnover of Rs.1,90,117 Lakh as against Rs.1,77,836 Lakh in 2015-16. The Company recorded a Profit Before Tax of Rs. 25,411 Lakh in 2016-17 as against Rs. 24,021 Lakh in 2015-16, the increase being attributable primarily to increase in Profits earned by Logistics Services, Travel & Vacations, Leather Chemicals and Refinery & Oil Field Services Verticals.

During the year, 2016-17, the paid-up share capital was increased upon the issue of Bonus shares in the ratio of three new shares for every one share held. The Board of Directors has recommended a dividend at the rate of Rupees Seven per Equity share for the financial year 2016-17 for declaration by the members at the 100th Annual General Meeting.

Corporate Governance

Your Company's culture, policies, relationship with stakeholders and loyalty to values is reflected in the Corporate Governance Report. Following are the five pillars of Governance that the Company conforms to as a part of its commitment to adopt global best practices –

- High accountability to its stakeholders;
- Absolute transparency in its reporting system and adherence to disclosure compliance;
- High ethical standards in the conduct of business with due compliance of laws and regulations;
- Enhancement in the stakeholders' value on consistent basis; and
- Contributing to the enrichment of quality of life of the community through discharge of Corporate Social Responsibility and promotion of Sustainable Development.

With the Companies Act, 2013 and the related Rules followed by Listing Regulations, there has been a material change in the area of statutory compliances. Your Company is making best efforts to adapt and comply with the changing statutes. During the year policies were adopted as per the requirement of the statute and to standardize the various activities and procedure of the organization. The Company continues to comply with Corporate Governance guidelines/ norms to the extent within its control.

Corporate Social Responsibility

"We are committed to serve the community by empowering it to achieve its aspirations and improving its overall quality of life."

Balmer Lawrie's CSR initiatives are driven by two Flagship Programs - Balmer Lawrie Initiative for Self-Sustenance [BLISS] and Samaj Mein Balmer Lawrie [SAMBAL]. While the first Program is directed at providing and improving the long term economic sustenance of the underprivileged, the second Program aims at improving the living standards and quality of life of the population in and around our Company's work-centers. During the year 2016-17, the Company spent Rs.412.65 Lakh towards various CSR activities, which is the entire amount prescribed for CSR expenditure for the year.

Acknowledgement

I once again thank all of you for your continued trust and support which have been our source of inspiration. On behalf of the Board of Directors, I would like to convey to you our sincere gratitude.

I acknowledge the continued support and guidance of our Administrative Ministry, the Ministry of Petroleum & Natural Gas, Government of India for the guidance and encouragement provided to your Company. I also wish to thank other Ministries of the Government of India and other Governmental authorities for their co-operation.

I would also like to thank our holding company, Balmer Lawrie Investments Ltd., our valued shareholders, customers, vendors, business associates, bankers, financial institutions and other stakeholders for their continued support and co-operation.

Finally, I must convey my gratitude to my colleagues on the Board for their wise counsel and valued involvement. We are grateful for your presence today.

Prabal Basu
Chairman & Managing Director
27th July, 2017
Kolkata